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5 *Attorneys for Z.B., N.A.*

*dba Zions First National Bank*

7 **THE UNITED STATES DISTRICT COURT**

8 **DISTRICT OF NEVADA**

9 In re:

Jointly Administered under  
Case No.: 18-50609-BTB with

- 10 ☐ X-TREME BULLETS, INC.,  
a Nevada corporation,  
11 ☐ AMMO LOAD WORLDWIDE, INC.,  
an Idaho corporation,  
12 ☐ CLEARWATER BULLET, INC.,  
an Idaho corporation  
13 ☐ FREEDOM MUNITIONS, LLC,  
an Idaho limited liability company,  
14 ☐ HOWELL MACHINE, INC.,  
an Idaho corporation  
15 ☐ HOWELL MUNITIONS &  
TECHNOLOGY, INC., an Idaho  
16 corporation,  
17 ☐ LEWIS-CLARK AMMUNITION AND  
COMPONENTS, LLC,  
an Idaho limited liability company  
18 ☐ COMPONENTS EXCHANGE, LLC,  
an Idaho limited liability company  
19 ☒ All Debtors

Case Nos. 18-50610-btb; 18-50611-btb; 18-  
50613-btb; 18-50614-btb; 18-50615-btb; 18-  
50616-btb; and 18-50617-btb

Chapter 11 Proceedings

**DECLARATION OF MATT CONNORS  
IN SUPPORT OF OPPOSITION TO  
DEBTOR'S MOTION FOR ORDER  
AUTHORIZING USE OF CASH  
COLLATERAL**

DATE: June 15, 2018  
TIME: 9:00 AM

20 Debtors and  
21 Debtors-in-  
Possession.

22  
23 I, MATT CONNORS, declare under penalty of perjury as follows:

24 1. I am a Managing Member of Rocky Mountain Advisory ("RMA") and lead its  
25 business and intellectual property valuation practice. Attached as **Exhibit 1** is my Curriculum  
26 Vitae.  
27

1           2.       On December 20, 2017, RMA was retained by Holland & Hart LLP to conduct a  
2 valuation of a controlling, non-marketable interest in Howell Munitions & Technology, Inc. and  
3 its consolidating subsidiaries ("HMT"). Our analysis was based on a fair market standard of value,  
4 as defined in our analysis, and on the premise that HMT would continue to operate as a going  
5 concern. The valuation date was December 31, 2017. RMA provided its valuation report to  
6 Holland & Hart on March 9, 2018.

7           3.       I was subsequently requested by Holland & Hart to conduct an additional analysis  
8 (the "Market Channel Analysis") designed to ascertain which lines of HMT's business were  
9 profitable and which were not. The Margin Channel Analysis was performed in accordance with  
10 customary and accepted industry methodologies. Attached as **Exhibit 2** is a true and correct copy  
11 of the Margin Channel Analysis which RMA provided to Holland & Hart on April 3, 2018.

12           4.       I declare under penalty of perjury that the foregoing is true and correct.

13       Dated: June 14, 2018.

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MATT CONNORS

**CERTIFICATE OF SERVICE**

I am, and was when the herein described mailing took place, a citizen of the United States, over 18 years of age, and not a party to, nor interested in, the within action; that on June 14, 2018, I served a true and correct copy of the foregoing **DECLARATION** as follows:

**Electronic Mail Notice List:**

- STEPHEN R HARRIS steve@harrislawreno.com, hannah@harrislawreno.com, norma@harrislawreno.com
- ROBERT E. OPERA ropera@wcghlaw.com, pj@wcghlaw.com, stacyly@wcghlaw.com
- U.S. TRUSTEE - RN - 11 USTPRegion17.RE.ECF@usdoj.gov
- SHAWN CHRISTIANSON schristianson@buchalter.com, cmcintire@buchalter.com
- JAY W. HURST jay.hurst@oag.texas.gov, sherri.simpson@oag.texas.gov

DATED: June 14, 2018.

/s/ Jeanette Sparks

HOLLAND & HART LLP  
5441 KIETZKE LANE, SECOND FLOOR  
RENO, NV 89511  
Phone: (775) 327-3000 ♦ Fax: (775) 786-6179

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# **EXHIBIT 1**

# **EXHIBIT 1**



## **MATTHEW H. CONNORS**

Mr. Connors is a Managing Member at RMA and leads RMA's business and intellectual property valuation practice. His expertise includes expert witness services in complex commercial litigation disputes and valuing equity securities in and outside of litigation disputes. Mr. Connors is an expert in calculating economic damages, business valuation, intellectual property valuation, and intangible asset valuation. He has extensive expertise in preparing and rebutting expert opinions in the above areas and has testified numerous times. Mr. Connors' practice also includes valuation of intangible assets and intellectual property for purposes of financial reporting. Mr. Connors has experience investigating fraud schemes as well as a background taxation. He has spent significant time investigating alleged fraud schemes including Ponzi schemes, misappropriation of assets, Foreign Corrupt Practices Act investigations, and evaluating business solvency. He is a Certified Public Accountant, Accredited in Business Valuation, and a Certified Fraud Examiner.

### ***Employment History***

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March 2010 to present	Rocky Mountain Advisory Salt Lake City, UT
October 2002 to March 2010	PricewaterhouseCoopers, LLP Salt Lake City, Utah Forensic Services
January 2002 to October 2002	Call & Hartle, LLC Salt Lake City, Utah Tax Preparation and Financial Statement Preparation

Employed by Symphony Homes between April and August 2007.

### ***Education***

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Master of Business Administration, 2004  
University of Utah, Salt Lake City, Utah

BS Accounting, 2002. Magna Cum Laude  
BS Information Systems, 2002. Magna Cum Laude  
University of Utah, Salt Lake City, Utah

### ***Professional Credentials***

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Certified Public Accountant - Licensed in Utah  
Accredited in Business Valuation by the American Institute of Certified Public Accountants  
Certified Fraud Examiner - National Certification

### ***Professional Memberships***

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American Institute of Certified Public Accountants  
Utah Association of Certified Public Accountants  
Association of Certified Fraud Examiners  
Association of Insolvency and Restructuring Advisors

**Matthew H. Connors**, continued

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### ***Publications***

"How the Book of Wisdom Impacts Lost Profits," Attorney at Law Magazine, Greater Salt Lake City Edition, Vol. 3 No. 1.

"Performing Business Valuations for Companies with Financial Difficulties," Valuation Strategies, July/August 2014.

"Litigating Business Value," Attorney at Law Magazine, Greater Salt Lake City Edition, Premier 2013.

"How Business Valuation Methods Help Uncover Lost Profits," Valuation Strategies, September/October 2013.

"Avoiding Ponzi Schemes: The Lure, The Fraud, The Reality, and The Agony," The Journal Entry, July 2011.

"Business Valuation Applications to Economic Damages for Lost Profits," Utah Bar Journal, January/February 2011.

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### ***Professional Experience***

#### ***Business and Intellectual Property Valuation***

Performed valuations of various businesses. Prepared and analyzed business valuations, with varying degrees of scope, for companies in a variety of industries including assisted living centers, cabinetry and furniture manufacturing, cellular phone retailers, commercial property management, couriers, for-profit education services, freight forwarding brokerages, furniture retailers, home care providers, human-factors engineering, mining, nuclear waste disposal and site remediation, oil and gas, physician groups, professional service firms, real estate development, ski resorts, start-up companies, software developers, vitamin and nutritional supplement contract manufacturers, and others.

Experienced at valuing interests in operating companies as well as holding companies.

Performed and analyzed various intangible and business valuations for financial reporting and purchase price allocations under Generally Accepted Accounting Principles. Performed fair market value valuation for transactional purposes, income tax reporting, and various matters in a litigation setting. Performed fair value valuations related to owner disputes, oppressed shareholder, and squeeze-out disputes.

Cumulatively valuation of hundreds of millions of dollars-worth of intellectual property and intangible assets used in operating businesses. Valued goodwill and goodwill impairment.

Performed numerous valuations on controlling and non-controlling interests as well as recognizing the applicability of, developing, and applying marketability discounts and other relevant discounts.

Valued privately held businesses ranging in size from pre-revenue to \$200

**Matthew H. Connors**, continued

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million in revenue. Valued businesses with complex capital structures including varying issues of differing classes of equity and allocated value to each class of equity utilizing Black-Scholes Option Pricing model.

Performed valuations of various types of intangible assets including operating assets, trade names, trademarks, customer relationships, non-competition agreements, etc.

Calculated the fair value of shareholder/ partner ownership interests for shareholder oppression and dissenting shareholder matters. Submitted valuation reports regarding same to be relied on as part of larger disputes.

Provided expert witness testimony numerous times regarding business valuation and business valuation methodologies.

***Economic  
Damages and Lost  
Profits***

Performed and rebutted numerous calculations of lost profits. Rebutted lost profits calculations for an early stage division within an established business with little operating history. Prepared a written expert report of findings including calculations demonstrating mathematical and theoretical errors made by the opposing expert. Identified various assumptions the opposing expert made in forming his conclusions. Testified regarding same.

Performed a lost profit calculation that included valuing the business entity as a result of the business being prevented from launching. Identified and exposed that the opposing expert did not follow the framework recommended by the AICPA for calculating lost profits. Identified metrics regarding the plaintiff's business history that indicated the projected losses were inflated. Identified apparent biases and theoretical procedures used by the opposing expert to inflate the alleged loss. Identified various common business valuation and lost profits principles that were not employed

Rebutted lost profits calculations related to an alleged contract breach related to the earnout provisions of a business acquisition. Identified flaws in the opposing expert's methodology related to statistical analyses that were performed and should have been performed. Identified various principles of calculating lost profits that were not employed.

Served as an arbitrator in binding arbitration.

Calculated lost profits related to an alleged contract breach impeding an estate from developing, subdividing, and selling real property. Properly followed lost profits theory. Calculated various scenarios of economic damages that included efforts to mitigate losses.

Calculated business losses related to trademark disputes. Calculated the value of damages related to trademark infringement and libel. Calculation included lost profits and costs required to reeducate consumers. Demonstrated a relationship between infringement and adversary sales.

Performed extensive financial analysis on opposing party's financial statements filed with the Securities and Exchange Commission. Outlined

**Matthew H. Connors**, continued

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evidence of cash flow distress as shown in adversary's annual and quarterly financial statements. Drafted portions of an expert report that became the basis of our testimony.

Analyzed and rebutted plaintiff expert's damage calculation of approximately one-half billion dollars. Specifically, identified flaws in assumptions made related to discount rates, data relied upon, theories used, and accounting methodologies used in the settlement of the case.

Construction dispute. Analyzed pipeline construction process, causes of inefficiency, and late completion. Extensive use and knowledge of Microsoft Access to capture and organize data. Gained familiarity with terminology, equipment, and processes related to construction.

Calculated personal injury losses. Assessed damages suffered in personal injury cases including lost earnings, projected future lost earnings, medical expenses, projected medical expenses, prejudgment interest, etc.

***Fraud  
Investigations***

Performed international investigations related to Foreign Corrupt Practices Act Violations. Discovered details of violations and exposed previously unknown violations. Performed data analysis by creating, importing, and querying data using databases. Interviewed individuals, analyzed documents, and communicated in written correspondence related to our analysis entirely in Portuguese.

Performed analysis using Microsoft Excel to uncover trends in stock options backdating. Performed further analysis using Microsoft Access to target specific stock option grants that potentially violated Accounting Principles Board Opinion No. 25 and/or company policy.

Investigated and quantified whether escrow and trust accounts were in-tact. Quantified deficits in trust accounts. Traced sources and uses of trust funds and whether funds had been disbursed for illicit purposes. Reported to regulatory agencies the conclusions of our analysis.

Investigated a number of alleged Ponzi schemes. Worked with government agencies to compile tens of thousands of records of data from various sources into one database. Traced cash receipts and disbursements by entity and by transaction type. Efficiently analyzed and organized thousands of cash transactions demonstrating characteristics of Ponzi activity. Drafted expert report in compliance with Federal Rule of Civil Procedure 26 to be the basis of a testimony to be given at trial.

Fraudulent financial reporting of a publicly traded entity. Electronic analysis of large amounts of General Ledger accounting data using Microsoft Access in order to uncover questionable transactions. Performed a review of expense reporting in relation to company policy. Communicated findings to managers and partners in written and oral format, which later became the basis of a written report to our client. Oversaw and directed work of other staff in multiple cities.



**Matthew H. Connors**, continued

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Fraud charges against a federally funded entity. Assisted preparing client for congressional hearing regarding charges of fraud. In a database, performed data queries and analysis designed to uncover misappropriation of assets. Analyzed systems of controls for fraud opportunities related to multimillion dollar subcontract. Provided framework to audit transactions of a multi-year vendor contract.

Assessed, documented, and recommended improvements to client internal controls to ensure that mutual fund trading practices were in accordance with the Investment Company Act of 1940.

Analyzed accounting practices of our client in order to form the basis for our testimony regarding federal accusations of defrauding a board of trustees. Assisted in the preparation of the defense that lead to the dismissal of the case. Helped in the preparation of evidence that undermined the opposition's key witness' testimony. Prepared evidence that disproved the opposition's allegations that our clients hid transactions from financial statement users.

Investigation of publicly traded entity charged with fraudulently inflating operating metrics to obtain ongoing government funding. Interviewed key personnel within the company, sampled documents, and performed independent investigation of allegations.

**Language Proficiency**

Speaks, reads and writes Portuguese fluently

**Four Years Testimony Experience**

<b>Date</b>	<b>Matter</b>	<b>Testimony Type</b>
08/15/17	<u>Energy Claims Limited</u> v. Catalyst Investment Group, et al.	State Court Trial
02/22/17	<u>ADC Venture 2011-2, LLC</u> v. BJBDJC, Inc.	State Court Trial
04/14/16	<u>ADC Venture 2011-2, LLC</u> v. BJBDJC, Inc.	Deposition
01/31/16	<u>Energy Claims Limited</u> v. Catalyst Investment Group, et al.	Deposition
04/30/15	<u>Energy Claims Limited</u> v. Catalyst Investment Group, et al.	State Court Hearing
03/06/14	<u>Diana Peterson</u> v. Jordan Clements	Arbitration
02/26/14	Robert Kirk Waits v. <u>Viersen Oil &amp; Gas Co.</u>	Deposition
01/08/14	Ed Haddadin and Ayman Haddadin v. <u>Overstock.com, Inc.</u>	State Court Trial
11/08/13	Hibbert v. <u>Hibbert</u>	State Court Trial
04/10/13	Rick Stratford v. <u>Peterson Capital I, LLC, et al.</u>	Deposition
01/08/13	<u>Kirk Lewis</u> v. PC Crane Services, LLC et al.	State Court Hearing
01/07/13	<u>Kirk Lewis</u> v. PC Crane Services, LLC et al.	Deposition
12/04/12	<u>Edward A. Spilsbury</u> v. K. Ron Metcalf, et al.	Deposition
10/22/12	Ed Haddadin and Ayman Haddadin v. <u>Overstock.com, Inc.</u>	Deposition

**Matthew H. Connors**, continued

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### **References**

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Available upon request

**Contact Matt Connors at:**

Rocky Mountain Advisory, LLC

215 South State Street, Suite 550

Salt Lake City, UT 84111

801.428.1605 (Direct Line)

801.428.1613 (Direct Fax)

mconnors@rockymountainadvisory.com

## **EXHIBIT 2**

## **EXHIBIT 2**



April 3, 2018

Ms. Mona Burton  
Holland & Hart, LLP  
222 South Main, Suite 2200  
Salt Lake City, Utah 84101

RE: Howell Munitions & Technology, Inc. - Margin Channel Analysis

Dear Ms. Burton:

At your request, we performed an analysis of the various margin channels within Howell Munitions & Technology, Inc. ("HMT" or the "Company"), to identify which were profitable and which were not. We refer to the Company's management as "Management" herein. Management refers to the various divisions within the Company as margin channels. The purpose of this analysis is to assist you in advising your client, Zions Bank ("Zions"), regarding their outstanding debts with the Company by further understanding the profitability of the Company by margin channel.

#### **Analysis**

We obtained internally prepared profit and loss statements from the Company for the following periods: 2016, 2017, and 2018 YTD (Jan.-Feb.).<sup>1</sup> In the normal course of business, the Company tracks revenues and costs of goods sold by the margin channels. However, Management has not historically allocated the indirect operating expenses to each margin channel to understand the full profitability. As such, gross profit margins by channel are available, but operating or net profit margins are not. Our task involved allocating these operating expenses to the different channels in order to understand the margins associated with each channel based on a methodology recently developed by Management.

As a starting-point for our analysis, we obtained a copy of the Company's internal February 2018 year-to-date profit and loss statement. In this statement, Management had developed a methodology to allocate operating expenses by margin channel. We studied the methodology and discussed it the Company's Director of Finance, Angela Smith ("Ms. Smith"). After some clarification and minor modifications to the methodology based on our analysis and discussions with Ms. Smith, we applied the allocation methodology to operating expenses for the 2016 and 2017 profit and loss statements.

As a part of our discussions with Management we prepared summaries containing business descriptions of each margin channel and each of the operating expense line items. See Exhibit 1 for descriptions of the margin channels and Exhibit 2 for descriptions of the operating expense line items.

Our analysis also shows the margins of each channel as a percentage of revenue. We calculated various margins to assess profitability: 1) the gross margin (revenue less cost of goods sold), 2) operating margin (gross margin less allocated operating expenses), 3) profit margin (operating margin less interest expense), and 4) earnings before interest, taxes, and depreciation and amortization ("EBITDA") margin. Exhibits 3 through 5 contain full profit and loss statements and margin analyses for the years 2016, 2017 and 2018 YTD.

In general, this analysis can be indicative of how the Company performs in a high-revenue year (2016) and in a year where revenue took a significant downward turn (2017). Significant assumptions in the analysis include that Management believes that most sales & marketing and customer service costs (90 percent of each) relate to online sales of Freedom Munition. If true, this indicates that Freedom Munition is unprofitable in all periods. Likewise,

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<sup>1</sup> We requested balance sheets by margin channel but the Company does not track balance sheets separately by margin channel.

Ms. Mona Burton

April 3, 2018

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the retail location in Houston, Texas, is also unprofitable in both 2016 and 2017. Our more detailed findings are outlined below.

### **Profitable Channels**

Our analysis indicates that the channels that focus on the manufacturing and sale of unassembled ammunition components (bullets, cases, etc.) are more profitable to the Company. These channels include Online – Xtreme, OEM, and Wholesale.

- Online – Xtreme was not tracked separately from Online – Freedom Munitions in 2016. In 2017, Online – Xtreme had an operating margin of \$899,390 (16.2%) and an operating margin of \$50,402 (5.9%) so far in 2018. The indicated EBITDA margin is 19.9% and 11.3% in 2017 and 2018 YTD, respectively.
- OEM shows a positive operating margin of \$1,552,758 (6.6%) in 2016, \$1,073,369 (6.7%) in 2017, and (\$8,872) (-0.4%) so far in 2018. OEM revenues declined from \$23.7 million to \$15.9 million from 2016 to 2017, part of an overall decrease in demand. However, Ms. Smith indicated that she does not believe that Management gives this segment as much attention as it could. She indicated that she has had discussions with market participants who suggested to her that their prices are too high.
- The Wholesale channel produced an operating margin of \$309,328 (3.4%) in 2016, (\$273,424) (-5.9%) in 2017, and \$107,436 (9.3%) so far in 2018. We understand this channel contains both ammunition components (bullets, cases, etc.) and assembled ammunition sales. Further analysis would be necessary to determine whether the unassembled products are more profitable or whether ammunition is also profitable.

Ms. Smith indicated in her opinion and experience, the margin channels that produced unassembled ammunition components were their most profitable channels and should receive the most attention going forward.

### **Online – Freedom Munitions**

Online – Freedom Munitions is the Company's largest channel by revenue. From 2016 to 2017 the gross profit margin dropped by 10.7 percent due to either price declines or cost increases. This channel has historically produced negative margins considering Ms. Smith's allocation of 90 percent of sales & marketing and 90 percent of customer service costs. This channel produced an operating margin of (\$1,855,291) (-3.2%) in 2016, (\$5,823,155) (-14.8%) in 2017, and (\$765,544) (-26.5%) so far in 2018.<sup>2</sup> This channel has lost a combined (\$8,443,990) of operating margin during the period of January 2016 through February 2018.

During this same period, using Management's methodology, \$8.7 million of sales and marketing expenses were allocated to this margin channel, representing 90 percent of these costs. Ms. Smith believes that the sales and marketing function is not being operated effectively and that the individual running it may not have the requisite experience or training. As a result, she believes that sales and marketing funds are being spent inefficiently. More analysis would be needed in order to opine on whether improved sales and marketing performance could turn this channel profitable or whether the 90 percent allocation Ms. Smith has calculated is too high.

### **Other Unprofitable Channels**

Our analysis indicates that the following channels may be generally unprofitable or have small enough margins that closing the margin channel, even if temporarily, may be optimal. These channels include Retail, Technology (ALW), Components Exchange, and Big Canyon.

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<sup>2</sup> Note that in 2016 Xtreme and Freedom Munitions were not tracked separately. Instead, all "Online" sales were recorded under a margin channel. As Freedom Munitions revenue is substantially larger than Xtreme and in 2017 Xtreme appears more profitable, it appears reasonable that the 2016 negative margin is primarily attributable to Freedom Munitions.

Ms. Mona Burton

April 3, 2018

Page 3

The Retail channel produced an operating margin of (\$646,291) (-26.1%) in 2016, (\$866,956) (-45.9%) in 2017, and \$8,165 (3.2%) so far in 2018. Considering the current trend of retail sales in the U.S. together with the negative operating margins indicate that this channel may need to be sold or closed.

The Technology (ALW) channel was profitable in 2016, producing an operating margin of \$430,909 (10.5%). However, in 2017, the channel produced an operating margin of (\$2,532,735) (-106.8%). This was largely driven by a negative gross margin of (\$2,266,586). As of February 2018, the channel has a negative gross and operating margin.

The Components Exchange channel was profitable in 2016 with an operating margin of \$315,428 (30%). However, in 2017, the channel had an operating margin of (\$251,340) (-5.5%). So far in 2018, the channel has a negative operating margin of (\$369,561) (-41%). Although this channel does sell OEM parts, it provides, according to Ms. Smith, lower-end parts and, as such, commands lower prices. It appears that as costs have increased over the last two years, this channel has not been able to increase prices sufficient enough to remain profitable.

The Big Canyon channel produced a negative operating margin of (\$181,413) (-25.9%) in 2016, (\$618,924) (-291.3%) in 2017 and has \$0 of sales so far in 2018. We understand that this channel has sales on a contract basis and there have been no contracts so far in 2018.

### **Summary**

We have relied on management's assumptions in preparing the 2016 and 2017 operating expense allocations. The allocation indicates that OEM sales of unassembled components are the primary sources of positive profitability margins. There is substantial doubt from Ms. Smith that the employee operating the sales and marketing function for the Freedom Munitions online sales has the experience and training to use the marketing budget effectively. In addition, this margin channel lost significant gross margin in 2017 indicating that unit prices declined or direct material and labor costs rose. Because this margin channel is a strong revenue driver, analysis should be performed to determine whether this function can be performed more efficiently to drive profitability from this margin channel. Retail, Technology (ALW), BC and Components Exchange may need to cease operations immediately due to the negative margins being experienced.

Should the Company be able to efficiently close its unprofitable channels and focus its efforts on its more profitable margin channels, it may be able to produce steady operating margins. As the industry is subject many outside forces, particularly political and regulatory risks and the rising costs of materials, it is difficult to project how the profitable channels may perform.

Please contact me directly should you have any questions regarding our analysis or if you would like to discuss it further.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Matt Connors', is written over a light blue horizontal line.

Matt Connors  
Managing Member

**Rocky Mountain Advisory, LLC****Exhibit 1**

Howell Munitions &amp; Technology, Inc.

Operating Expense Allocation and Business Channel Analysis

## DESCRIPTION OF CHANNELS

Channel	Description
Online - Freedom Munitions	This channel is comprised of sales via Freedommunitions.com. This website sells primarily finished ammunition and some reloading supplies, firearms, parts and accessories.
Online - Crow Drop Ship	This channel is comprised of Crow branded items sold via Freedommunitions.com and drop-shipped from Crow's facility in Iowa. All Crow related products are manufactured by a third-party, Crow.
Online - Xtreme Bullets	This channel is comprised of sales via Xtremebullets.com. This website mainly sells unassembled ammunition components (bullets, cases, etc.) and is geared towards the reloading enthusiast.
OEM ("Original Equipment Manufacturer")	This channel is comprised of selling disassembled ammunition parts (bullets, cases, etc.) to third-party companies that use these parts to build their own branded ammunition.
OEM Toll	This channel manufactured parts for Vista Outdoors. Vista Outdoors provided the materials and HMT provided labor. There have been no sales in this channel since 2016.
Components Exchange	This channel is comprised of sales via a couple of different websites that focus on selling OEM parts. This channel is for lower grade ammunition and parts.
Retail	This channel is comprised of one retail store in Houston, TX. This is a brick and mortar store where the Company sells mostly Freedom ammunition and some accessories. The store is managed by Rudy Zaruba.
Wholesale	This channel is comprised of selling ammunition parts (bullets, cases, etc.) and some assembled ammunition to Cabelas, shooting ranges, and other retail outlets.
Technology (ALW)	This channel is comprised of the Company's loading machinery manufacturing and sales. Most sales are via the Ammoload.com website. This channel also supports and sells replacement parts to prior customers.
Big Canyon Environmental ("BC")	This channel is comprised of contracts with Vista Outdoors and/or the Government to de-mill ammunition. The Company disassembles the ammunition and, in some cases, re-uses the parts in their other manufacturing processes. There were no sales in this channel in 2018.

**Rocky Mountain Advisory, LLC****Exhibit 2**

Howell Munitions &amp; Technology, Inc.

Operating Expense Allocation and Business Channel Analysis

**OPERATING EXPENSE DESCRIPTIONS AND ALLOCATIONS**

<b>Operating Expenses</b>	<b>Description</b>	<b>Allocation Method</b>
General Management	Primarily comprised of Dave Howell's and Jansen Jones' salaries. There are some other miscellaneous costs, such as maintenance. Non-manufacturing related depreciation is also booked here.	% of Revenue
Sales & Marketing	Mainly payroll, advertising, and travel to trade shows. The Company routinely spends funds on graphics, running banner ads, and also attends the "Shot Show" in Las Vegas, NV.	90% to Online Freedom, 10% to Online Xtreme
Customer Service	Mainly payroll. The Company has 4-5 people responding to phone calls and primarily helping with online Freedom Munitions.	90% to Online Freedom, 10% to Online Xtreme
Procurement	Mainly payroll related to the purchasing department.	% of Revenue
Quality Assurance	Mainly payroll. Some expenses related to range time (testing of products).	% of Revenue less ALW
Distribution	Mostly comprised of rent, insurance and other costs associated with the Lucky Acres property. Approximately 90 percent of the Company's inventory is being stored and shipped from here. Payroll for the employees who work in this department is included here as well.	% of Revenue less Retail, Online Crow, Online XB, CE, ALW
Human Resources	Mostly comprised of payroll for the HR department. There are some advertising costs here associated with the recruitment of new employees.	% of Revenue
Information Systems	This is the Company's IT department. This expense line item also carries software and hardware costs, maintenance costs, and fees to third party consultants (i.e. Binary Anvil maintains the Company's websites).	% of Revenue
Finance	Mainly comprised of payroll for the accounting and finance department.	% of Revenue
Corporate Development	This expense line item is comprised of Rudy Zaruba's payroll.	100% to Retail
EHS	Mainly comprised of payroll for the Environmental, Health, and Safety department which works to ensure the Company follows all OSHA and all other regulations.	% of Revenue
R&D	Mainly comprised of payroll costs for engineers from the ammoload group (reloading equipment). There are also some development costs related to the development of new bullets, cases, etc.	% of Revenue
Lewiston Shipping	Mainly comprised of shipping costs for Freedom Munitions orders. There may also be some wholesale or OEM orders.	% of Revenue less Retail, Online Crow, Online XB, CE, ALW



**Rocky Mountain Advisory, LLC****Exhibit 3**

Howell Munitions &amp; Technology, Inc.

Operating Expense Allocation and Business Channel Analysis

**CONSOLIDATED INTERNAL INCOME STATEMENT - 2016**

	Online	OEM		Components	Retail	Wholesale	Other		
	Online	OEM	OEM Toll	Exchange	Retail	Wholesale	Technology (ALW)	BC	Total
<b>Revenue</b>	\$58,174,983	\$23,696,435	\$6,419,687	\$1,050,365	\$2,473,534	\$7,252,554	\$4,116,589	\$699,643	\$103,883,789
COGS	\$38,113,322	\$17,132,371	\$2,075,585	\$571,044	\$1,930,472	\$4,243,380	\$3,057,775	\$754,989	\$67,878,938
Operating Expenses (Retail)					661,098				\$661,098
Net Freight- Outbound	3,532,432	(105,418)				1,133,817			\$4,560,831
Excise Tax	2,079,127	846,891				259,200			\$3,185,218
Variances	3,049,152	1,242,012	336,478	55,053	129,646	380,131	215,765	36,671	5,444,908
Bad Debt	85,326	34,756	9,416	1,541	3,628	10,637	6,038	1,026	152,367
<b>Gross Margin</b>	<b>\$11,315,624</b>	<b>\$4,545,823</b>	<b>\$3,998,208</b>	<b>\$422,727</b>	<b>(\$251,310)</b>	<b>\$1,225,388</b>	<b>\$837,011</b>	<b>(\$93,042)</b>	<b>\$22,000,429</b>
<b>Operating Expenses</b>									
Royal Metals	\$18,313	\$7,459	\$2,021	\$331	\$779	\$2,283	\$1,296	\$220	\$32,701
General Management	1,799,924	733,164	198,624	32,498	76,531	224,393	127,367	21,647	3,214,147
Sales & Marketing	5,335,192								5,335,192
Project Engineering	425,384	173,272	46,942	7,680	18,087	53,032	30,101	5,116	759,613
Customer Service	487,719								487,719
Procurement	186,149	75,824	20,542	3,361	7,915	23,207	13,172	2,239	332,409
Quality Assurance	678,215	276,258	74,842	12,245	28,837	84,552		8,157	1,163,105
Distribution	605,694	246,718	66,839			75,511		7,284	1,002,046
Human Resources	299,351	121,935	33,034	5,405	12,728	37,319	21,183	3,600	534,555
Information Systems	463,648	188,858	51,164	8,371	19,714	57,802	32,809	5,576	827,941
Finance	938,646	382,339	103,581	16,948	39,910	117,019	66,421	11,289	1,676,152
Corporate Development					142,299				142,299
EHS	363,892	148,224	40,156	6,570	15,472	45,366	25,750	4,376	649,806
Lewiston Shipping	799,503	325,662	88,226			99,672		9,615	1,322,678
Mfg Maintenance	235,519	95,934	25,990	4,252	10,014	29,362	16,666	2,832	420,568
Process Engineering	533,767	217,420	58,902	9,637	22,695	66,544	37,771	6,419	953,155
<b>Total Operating Expenses</b>	<b>\$13,170,916</b>	<b>\$2,993,065</b>	<b>\$810,862</b>	<b>\$107,299</b>	<b>\$394,980</b>	<b>\$916,060</b>	<b>\$372,534</b>	<b>\$88,371</b>	<b>\$18,854,087</b>
Interest Expense	\$474,382	\$193,230	\$52,349	\$8,565	\$20,170	\$59,140	\$33,568	\$5,705	\$847,110
<b>Net Profit/(Loss)</b>	<b>(\$2,329,673)</b>	<b>\$1,359,528</b>	<b>\$3,134,997</b>	<b>\$306,863</b>	<b>(\$666,461)</b>	<b>\$250,188</b>	<b>\$430,909</b>	<b>(\$187,119)</b>	<b>\$2,299,232</b>
Depreciation	\$1,397,833	\$569,380	\$154,253	\$25,238	\$59,434	\$174,265	\$98,914	\$16,811	\$2,496,129
<b>EBITDA</b>	<b>(\$457,458)</b>	<b>\$2,122,138</b>	<b>\$3,341,599</b>	<b>\$340,667</b>	<b>(\$586,856)</b>	<b>\$483,593</b>	<b>\$563,391</b>	<b>(\$164,602)</b>	<b>\$5,642,470</b>

Gross Margin (\$)	\$11,315,624	\$4,545,823	\$3,998,208	\$422,727	(\$251,310)	\$1,225,388	\$837,011	(\$93,042)	\$22,000,429
Gross Margin (%)	19.5%	19.2%	62.3%	40.2%	-10.2%	16.9%	20.3%	-13.3%	21.2%
Operating Margin (\$)	(\$1,855,291)	\$1,552,758	\$3,187,346	\$315,428	(\$646,291)	\$309,328	\$464,477	(\$181,413)	\$3,146,342
Operating Margin (%)	-3.2%	6.6%	49.6%	30.0%	-26.1%	4.3%	11.3%	-25.9%	3.0%
Net Profit Margin (\$)	(\$2,329,673)	\$1,359,528	\$3,134,997	\$306,863	(\$666,461)	\$250,188	\$430,909	(\$187,119)	\$2,299,232
Net Profit Margin (%)	-4.0%	5.7%	48.8%	29.2%	-26.9%	3.4%	10.5%	-26.7%	2.2%
EBITDA Margin (\$)	(\$457,458)	\$2,122,138	\$3,341,599	\$340,667	(\$586,856)	\$483,593	\$563,391	(\$164,602)	\$5,642,470
EBITDA Margin (%)	-0.8%	9.0%	52.1%	32.4%	-23.7%	6.7%	13.7%	-23.5%	5.4%

**Rocky Mountain Advisory, LLC****Exhibit 4**

Howell Munitions &amp; Technology, Inc.

Operating Expense Allocation and Business Channel Analysis

**CONSOLIDATED INTERNAL INCOME STATEMENT - 2017**

	Online		OEM		Retail	Wholesale	Other		
	Online- Freedom Munitions	Online- Xtreme Bullets	OEM	Components Exchange	Retail	Wholesale	Technology (ALW)	BC	Total
<b>Revenue</b>	\$39,461,538	\$5,567,384	\$15,905,577	\$4,565,354	\$1,887,817	\$4,652,580	\$2,372,024	\$212,469	\$74,624,745
COGS	\$28,830,677	\$3,027,312	\$11,878,097	\$4,111,072	\$1,609,869	\$3,493,269	\$4,564,351	\$791,770	\$58,306,417
Operating Expenses					629,983				629,983
COGS Variance Allocation									0
Net Freight- Outbound	3,851,813	427,979	(94,757)			388,427			4,573,462
Excise Tax	2,073,271		82,685			176,663			2,332,619
Variances	1,173,392	165,547	472,954	135,751	56,134	138,345	70,532	6,318	2,218,973
Bad Debt Expenses	61,998	8,747	24,989	7,173	2,966	7,310	3,727	334	117,242
<b>Gross Margin</b>	<b>\$3,470,387</b>	<b>\$1,937,800</b>	<b>\$3,541,609</b>	<b>\$311,358</b>	<b>(\$411,135)</b>	<b>\$448,567</b>	<b>(\$2,266,586)</b>	<b>(\$585,953)</b>	<b>\$6,446,049</b>
<b>Operating Expenses</b>									
Royal Metals	(\$1,832)	(\$258)	(\$738)	(\$212)	(\$88)	(\$216)	(\$110)	(\$10)	(\$3,464)
General Management	2,706,849	381,893	1,091,037	313,159	129,494	319,142	162,708	14,574	5,118,856
Sales & Marketing	2,905,388	322,821							3,228,209
Customer Service	264,481	29,387							293,868
Procurement	166,997	23,561	67,311	19,320	7,989	19,689	10,038	899	315,803
Quality Assurance	436,064	61,522	175,762	50,449	20,861	51,413		2,348	798,419
Distribution	637,211		256,838			75,128		3,431	972,607
Human Resources	185,325	26,146	74,698	21,440	8,866	21,850	11,140	998	350,463
Information Systems	579,831	81,805	233,710	67,081	27,739	68,363	34,854	3,122	1,096,504
Finance	392,388	55,360	158,158	45,396	18,772	46,263	23,586	2,113	742,036
Corporate Development					223,140				223,140
EHS	182,787	25,788	73,675	21,147	8,744	21,551	10,987	984	345,664
R&D	215,384	30,387	86,814	24,918	10,304	25,394	12,947	1,160	407,308
Lewiston Shipping	622,669		250,976			73,414		3,353	950,411
<b>Total Operating Expenses</b>	<b>\$9,293,542</b>	<b>\$1,038,410</b>	<b>\$2,468,240</b>	<b>\$562,698</b>	<b>\$455,821</b>	<b>\$721,991</b>	<b>\$266,150</b>	<b>\$32,971</b>	<b>\$14,839,823</b>
Interest Expense	\$586,094	\$82,688	\$236,234	\$67,806	\$28,038	\$69,101	\$35,230	\$3,156	\$1,108,349
<b>Net Profit/(Loss)</b>	<b>(\$6,409,249)</b>	<b>\$816,702</b>	<b>\$837,135</b>	<b>(\$319,146)</b>	<b>(\$894,994)</b>	<b>(\$342,525)</b>	<b>(\$2,567,965)</b>	<b>(\$622,079)</b>	<b>(\$9,502,123)</b>
Depreciation	\$1,493,709	\$210,738	\$602,062	\$172,809	\$71,458	\$176,111	\$89,786	\$8,042	\$2,824,716
<b>EBITDA</b>	<b>(\$4,329,446)</b>	<b>\$1,110,128</b>	<b>\$1,675,431</b>	<b>(\$78,531)</b>	<b>(\$795,498)</b>	<b>(\$97,313)</b>	<b>(\$2,442,949)</b>	<b>(\$610,881)</b>	<b>(\$5,569,059)</b>

Gross Margin (\$)	\$3,470,387	\$1,937,800	\$3,541,609	\$311,358	(\$411,135)	\$448,567	(\$2,266,586)	(\$585,953)	\$6,446,049
Gross Margin (%)	8.8%	34.8%	22.3%	6.8%	-21.8%	9.6%	-95.6%	-275.8%	8.6%
Operating Margin (\$)	(\$5,823,155)	\$899,390	\$1,073,369	(\$251,340)	(\$866,956)	(\$273,424)	(\$2,532,735)	(\$618,924)	(\$8,393,775)
Operating Margin (%)	-14.8%	16.2%	6.7%	-5.5%	-45.9%	-5.9%	-106.8%	-291.3%	-11.2%
Net Profit Margin (\$)	(\$6,409,249)	\$816,702	\$837,135	(\$319,146)	(\$894,994)	(\$342,525)	(\$2,567,965)	(\$622,079)	(\$9,502,123)
Net Profit Margin (%)	-16.2%	14.7%	5.3%	-7.0%	-47.4%	-7.4%	-108.3%	-292.8%	-12.7%
EBITDA Margin (\$)	(\$4,329,446)	\$1,110,128	\$1,675,431	(\$78,531)	(\$795,498)	(\$97,313)	(\$2,442,949)	(\$610,881)	(\$5,569,059)
EBITDA Margin (%)	-11.0%	19.9%	10.5%	-1.7%	-42.1%	-2.1%	-103.0%	-287.5%	-7.5%

**Rocky Mountain Advisory, LLC****Exhibit 5**

Howell Munitions &amp; Technology, Inc.

Operating Expense Allocation and Business Channel Analysis

**CONSOLIDATED INTERNAL INCOME STATEMENT - 2018 YTD (JAN-FEB)**

	<i>Online</i>			<i>OEM</i>		<i>Retail</i>	<i>Wholesale</i>	<i>Other</i>	
	<b>Online-Freedom Munitions</b>	<b>Online- Crow Drop Ship</b>	<b>Online-Xtreme Bullets</b>	<b>OEM</b>	<b>Components Exchange</b>	<b>Retail</b>	<b>Wholesale</b>	<b>Technology (ALW)</b>	<b>TOTAL</b>
<b>Revenue</b>	\$2,889,989	\$618,679	\$852,277	\$2,245,658	\$901,349	\$258,108	\$1,156,583	\$185,155	\$9,107,798
COGS	\$2,051,123	\$525,445	\$468,453	\$1,898,345	\$1,153,210	\$72,482	\$836,029	\$251,711	\$7,256,797
Net Freight- Outbound	335,779	83,889	168,413	(13,050)			22,950		597,979
Operating Expenses						121,180			121,180
Excise Tax	310,000			0			0		310,000
Manufacturing Variances	87,913	18,820	25,926	68,313	27,419	7,852	35,183	5,632	277,059
Gross Margin	\$105,175	(\$9,475)	\$189,485	\$292,051	(\$279,280)	\$56,594	\$262,421	(\$72,188)	\$544,783
<b>Operating Expenses</b>									
General Management	\$154,573	\$33,090	\$45,585	\$120,111	\$48,209	\$13,805	\$61,861	\$9,903	\$487,137
Sales & Marketing	460,054		51,117						511,171
Customer Service	23,400		2,600						26,000
Procurement	9,065	1,941	2,673	7,044	2,827	810	3,628	581	28,570
Quality Assurance	31,244	6,689	9,214	24,278	9,745	2,790	12,504		96,465
Distribution	59,135			45,951			23,666		128,751
Human Resources	11,438	2,449	3,373	8,888	3,567	1,021	4,577	733	36,045
Information Systems	34,980	7,488	10,316	27,181	10,910	3,124	13,999	2,241	110,239
Finance	31,330	6,707	9,240	24,345	9,772	2,798	12,539	2,007	98,738
Corporate Development						22,576			22,576
EHS	9,905	2,120	2,921	7,696	3,089	885	3,964	635	31,214
R&D	6,932	1,484	2,044	5,386	2,162	619	2,774	444	21,845
Lewiston Shipping	38,663			30,043			15,473		84,179
<b>Operating Expenses</b>	<b>\$870,719</b>	<b>\$61,968</b>	<b>\$139,083</b>	<b>\$300,923</b>	<b>\$90,281</b>	<b>\$48,429</b>	<b>\$154,985</b>	<b>\$16,544</b>	<b>\$1,682,932</b>
Interest Expense	\$54,032	\$11,567	\$15,935	\$41,986	\$16,852	\$4,826	\$21,624	\$3,462	\$170,283
<b>Net Profit/(Loss)</b>	<b>(\$819,576)</b>	<b>(\$83,010)</b>	<b>\$34,467</b>	<b>(\$50,858)</b>	<b>(\$386,413)</b>	<b>\$3,339</b>	<b>\$85,812</b>	<b>(\$92,194)</b>	<b>(\$1,308,432)</b>
Depreciation Expense	\$155,436	\$33,275	\$45,839	\$120,781	\$48,479	\$13,882	\$62,206	\$9,958	\$489,857
<b>EBITDA</b>	<b>(\$610,108)</b>	<b>(\$38,168)</b>	<b>\$96,241</b>	<b>\$111,909</b>	<b>(\$321,082)</b>	<b>\$22,047</b>	<b>\$169,642</b>	<b>(\$78,773)</b>	<b>(\$648,291)</b>

Gross Margin (\$)	\$105,175	(\$9,475)	\$189,485	\$292,051	(\$279,280)	\$56,594	\$262,421	(\$72,188)	\$544,783
Gross Margin (%)	3.6%	-1.5%	22.2%	13.0%	-31.0%	21.9%	22.7%	-39.0%	6.0%
Operating Margin (\$)	(\$765,544)	(\$71,443)	\$50,402	(\$8,872)	(\$369,561)	\$8,165	\$107,436	(\$88,732)	(\$1,138,149)
Operating Margin (%)	-26.5%	-11.5%	5.9%	-0.4%	-41.0%	3.2%	9.3%	-47.9%	-12.5%
Net Profit Margin (\$)	(\$819,576)	(\$83,010)	\$34,467	(\$50,858)	(\$386,413)	\$3,339	\$85,812	(\$92,194)	(\$1,308,432)
Net Profit Margin (%)	-28.4%	-13.4%	4.0%	-2.3%	-42.9%	1.3%	7.4%	-49.8%	-14.4%
EBITDA Margin (\$)	(\$610,108)	(\$38,168)	\$96,241	\$111,909	(\$321,082)	\$22,047	\$169,642	(\$78,773)	(\$648,291)
EBITDA Margin (%)	-21.1%	-6.2%	11.3%	5.0%	-35.6%	8.5%	14.7%	-42.5%	-7.1%